

INDIAN TRAINING AND EDUCATION CENTER, INC.

(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

JUNE 30, 2006

INDIAN TRAINING AND EDUCATION CENTER, INC.

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**Burnham & Schumm, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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A Professional Corporation  
Officers:  
Lonnie K. Burnham, C.P.A.  
Ted Schumm, C.P.A.

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
Indian Training and Education Center, Inc.

We have audited the accompanying balance sheet of the Indian Training and Education Center, Inc. (a nonprofit organization) as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Indian Training and Education Center, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indian Training and Education Center, Inc. as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2006, on our consideration of Indian Training and Education Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide

an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Indian Training and Education Center, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Salt Lake City, Utah  
August 28, 2006

*Burnham & Schumm*

INDIAN TRAINING AND EDUCATION CENTER, INC.

BALANCE SHEET

JUNE 30, 2006

ASSETS

Current Assets:

Cash and cash equivalents	\$ 409
Grant receivable	1,066
Other receivables	458
Prepaid expenses	<u>7,263</u>

Total current assets	9,196
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Furniture and equipment, at cost, net	19,188
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Other assets, deposits	<u>2,911</u>
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Total Assets	<u>\$ 31,295</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 6,983
Accrued vacation	<u>3,154</u>

Total current liabilities	<u>10,137</u>
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Net assets:

Unrestricted:

Operating	413
Fixed assets	19,188
Temporarily restricted	1,557
Permanently restricted	<u>--</u>

Total net assets	<u>21,158</u>
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Total Liabilities and Net Assets	<u>\$ 31,295</u>
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The accompanying notes are an integral  
part of the financial statements.

INDIAN TRAINING AND EDUCATION CENTER, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2006

Unrestricted Net Assets:

Support and revenue:

Federal financial assistance	\$ 360,566
Contribution	4,194
Other income	<u>715</u>

Total unrestricted support and revenue	365,475
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Net assets released from restrictions:

Restrictions satisfied by payments	<u>1,558</u>
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367,033

Expenses:

Program services:

Classroom training	230,095
Training assistance	63,582
Supportive program services	<u>18,091</u>

Total program services	311,768
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General and administrative	<u>63,545</u>
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Total expenses	<u>375,313</u>
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Decrease in unrestricted net assets	<u>(8,280)</u>
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Temporarily restricted net assets:

Federal financial assistance revenue	1,557
Net assets released from restrictions	<u>(1,558)</u>

Decrease in temporarily restricted net assets	<u>(1)</u>
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Permanently restricted net assets:	<u>--</u>
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Decrease in net assets	(8,281)
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Net assets at June 30, 2005	<u>29,439</u>
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Net assets at June 30, 2006	<u>\$ 21,158</u>
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The accompanying notes are an integral part of the financial statements.

INDIAN TRAINING AND EDUCATION CENTER, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2006

Cash flows from operating activities:	
Decrease in net assets	\$ (8,281)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	6,046
Loss on disposal of fixed assets	1,951
(Increase)decrease in operating assets:	
Grant receivable	10,528
Other receivables	851
Prepaid expenses	(7,263)
(Decrease)increase in operating liabilities:	
Accounts payable and accrued expenses	(3,100)
Accrued vacation	<u>(232)</u>
Net cash provided by operating activities	<u>500</u>
Cash flows from investing activities:	
Payments for furniture and equipment	(1,274)
Proceeds from sale of fixed assets	<u>50</u>
Net cash used by investing activities	(1,224)
Cash flows from financing activities	<u>--</u>
Net decrease in cash	(724)
Beginning cash and cash equivalents, June 30, 2005	<u>1,133</u>
Ending cash and cash equivalents, June 30, 2006	<u>\$ 409</u>
Other cash flow information:	
Interest paid	<u>\$ --</u>
Income taxes paid	<u>\$ --</u>

The accompanying notes are an integral  
part of the financial statements.

INDIAN TRAINING AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

1. Nature of Organization and Significant Accounting Policies

A. Organization

The Indian Training and Education Center, Inc., a not-for-profit corporation, was established under the laws of the state of Utah in 1988 as a nonprofit organization. The Organization is dedicated to serving the Indian community throughout Utah (except for Uintah and San Juan counties) by providing the following programs and services: classroom training that promote skills for long-term employability and increased earnings, training assistance that improves employment related skills, self-sufficiency and growth, supportive services which help individuals and families during the training and job search period, and job search assistance. The funding for these services is provided by a grant from the U.S. Department of Labor.

B. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS NO. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

## Notes to Financial Statements - Continued

### E. Grant and Other Receivables

Grant and other receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants and contracts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable. Changes in the valuation allowance have not been material to the financial statements.

### F. Furniture, Equipment and Depreciation

Furniture and equipment are stated at cost less accumulated depreciation. Furniture and equipment are being depreciated over estimated useful lives of five to seven years using a straight-line method, with one-half of a year's depreciation recognized in the years of acquisition and disposal.

The Organization capitalizes all expenditures for furniture and equipment which have a cost of \$500 or more and an estimated useful life of more than one year.

### G. Revenue Recognition

The Organization recognizes grant revenue on a cost reimbursement basis. Grant amounts received by the Organization through cost reimbursement contracts are deemed to be earned and are reported as revenues when the Organization has incurred expenditures in compliance with contract requirements. In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made" conditional promises to give should be recorded in the year received; therefore, the U.S. Department of Labor grant for year ending June 30, 2006 for \$397,133 has not been recorded as a temporarily restricted net asset.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized.

## Notes to Financial Statements - Continued

### H. Contributed Services

During the year ended June 30, 2006, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

### I. Income Taxes

The Organization is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

### J. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

### K. Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

## 2. Grant Receivable

The grant receivable as of June 30, 2006 was as follows:

U.S. Department of Labor:	
WIA Title I; Indian and Native	
American Program	<u>\$1,066</u>

An allowance for uncollectible amounts is not deemed necessary at June 30, 2006.

## 3. Furniture and Equipment

The following is a summary of furniture and equipment as of June 30, 2006:

Furniture	\$22,080
Equipment	<u>37,405</u>
	59,485
Less accumulated depreciation	<u>(40,297)</u>
	<u>\$19,188</u>

## Notes to Financial Statements - Continued

Furniture and equipment acquired with grant funds are subject to certain restrictions on the sale or other disposition of the property as specified by the grantor agency. Also, if the grantor discontinues funding, all property and equipment acquired with grant funds may be recovered by the grantor.

Depreciation expense for the year ending June 30, 2006 is \$6,046.

### 4. Economic Dependency

The Organization receives 98.7% of its support from the U.S. Department of Labor. A significant reduction in the level of such support, if this were to occur, may have an adverse affect on the Organization's programs and activities. In this regard, the Grantor agency has renewed the primary grant award for the fiscal year ending June 30, 2007 for \$353,832.

### 5. Retirement Plans

All full-time employees who meet certain age and length of service requirements are eligible to participate in the Organization's 403(b) and SEP-IRA retirement plans. The 403(b) retirement plan is an employee salary reduction plan that defers taxes on contributions until the date of withdrawal. The SEP-IRA is a plan that provides for contributions by the Organization at 25% of eligible employees' gross salary. The Organization's contributions vest immediately to the employees hired prior to January 1, 1993. Contributions for employees hired on or after January 1, 1993 vest at a rate of 20% per year, being fully vested after five years of employment. The Organization contributed \$35,852 to the SEP-IRA plan during the year ended June 30, 2006.

### 6. Operating Leases

On December 8, 2003, the Organization entered into a five-year non-cancellable operating lease for its office facility. The expiration of the lease is November 30, 2008. Rent expense was \$32,521 for the year ended June 30, 2006.

Minimum future operating lease payments are as follows:

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Amount</u>
2007	\$ 33,493
2008	34,506
2009	<u>14,557</u>
Total	<u>\$ 82,556</u>

Notes to Financial Statements - Continued

7. Administrative Costs

The Organization's grantor agency requires that administrative costs not exceed 18% of available funds. During the year ending June 30, 2006 the Organization incurred administrative costs of \$63,545 that were related to the grant received from the U.S. Department of Labor. The administrative costs were within the 18% administrative cost limitation.

GOVERNMENTAL AUDITING STANDARDS REPORTS

INDIAN TRAINING AND EDUCATION CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2006

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract Charges/ Expenditures</u>
<u>Major Program</u>		
<u>U.S. DEPARTMENT OF LABOR:</u>		
Workforce Investment Act		
Title I- Indian and Native		
American Program	17.255	<u>\$ 369,948</u>

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Indian Training and Education Center, Inc. and is presented on the accrual basis of accounting.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the  
Indian Training and Education Center, Inc.

We have audited the financial statements of the Indian Training and Education Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 2006 and have issued our report thereon dated August 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Indian Training and Education Center, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Indian Training and Education Center, Inc.'s financial statements are free of material misstatement, we performed tests of its

compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Salt Lake City, Utah  
August 28, 2006

*Burnham & Schumann*

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Ted Schumm, C.P.A.

August 28, 2006

To the Board of Directors  
of Indian Training and Education Center, Inc.

We have audited the financial statements of Indian Training and Education Center, Inc. for the year ended June 30, 2006, and have issued our report thereon dated August 28, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated August 14, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U. S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Indian Training and Education Center, Inc. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Indian Training and Education Center, Inc.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

(Other Information in Documents Containing Audited Financial Statements)

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Indian Training and Education Center, Inc. are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2006. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allowance for doubtful accounts receivable is based on past experience. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

#### Audit Adjustments

For the purpose of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Organization, either individually or in the aggregate, indicate matters that could have a significant effect on the Organization's financial reporting process.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial Statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

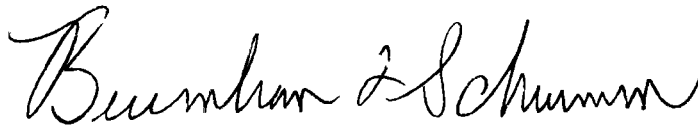
Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Audit Committee, Board of Directors, and management of Indian Training and Education Center, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very Truly Yours,

Burnham & Schumm, P.C.

A handwritten signature in cursive script, appearing to read "Burnham & Schumm", written in dark ink.